# INSTITUTIONAL STATE PLAN AMENDMENT
# ASSURANCE AND FINDING CERTIFICATION STATEMENT

STATE: **WISCONSIN** TN - **98-013**

REIMBURSEMENT TYPE:

| | |
|---|---|
| Inpatient hospital | X |
| Nursing facility | |
| ICF/MR | |

PROPOSED EFFECTIVE DATE: **July 1, 1998**

A. **State Assurances and Findings.** The State assures that it has made the following findings:

1. 447.253(b)(1)(i) - The State pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards. Not Applicable as of 10/1/97

2. With respect to inpatient hospital services --

   a. 447.253(b)(a)(ii)(A) - The methods and standards used to determine payment rates take into account the situation of hospitals which serve a disproportionate number of low income patients with special needs. X

   b. 447.253(b)(1)(ii)(B) - If a State elects in its State plan to cover inappropriate level of care services (that is, services furnished to hospital inpatients who required a lower covered level of care such as skilled nursing services or intermediate care services) under conditions similar to those described in section 1861(v)(1)(G) of the Act, the methods and standards used to determine payment rates must specify that the payments for this type of care must be made at rates lower than those for inpatient hospital level of care services, reflecting the level of care actually received, in a manner consistent with section 1861(v)(1)(G) of the Act. X

   If the answer is "not applicable", please indicate: _____

   c. 447.253(b)(1)(ii)(C) - The payment rates are adequate to assure that recipients have reasonable access, taking into account geographic location and reasonable travel time, to inpatient hospital services of adequate quality. X

3. With respect to nursing facility services -- Not Applicable

   a. 447.253(b)(1)(iii)(A) - Except for preadmission screening for individuals with mental illness and mental retardation under 42 CFR 483.20(f), the methods and standards used to determine payment rates take into account the costs of complying with the requirements of 42 CFR 483 subpart B. Not Applicable

   b. 447.253(b)(1)(iii)(B) - The methods and standards used to determine payment rates provide for an appropriate reduction to take into account the lower costs (if any) of the facility for nursing care under a waiver of the requirement in 42 CFR 483.30(c) to provide licensed nurses on a 24-hour basis. Not Applicable

   c. 447.253(b)(1)(iii)(C) - The State has established procedures under which the data and methodology used to establish payment rates are made available to the public. Not Applicable

4. 447.253(b)(2) - The proposed payment rate will not exceed the upper payment limits as specified in 42 CFR 447.272:

   a. 447.272(a) - Aggregate payments made to each group of health care facilities (hospitals, ~~nursing facilities, and ICFs/MR~~) will not exceed the amount that can reasonable be estimated would have been paid for those services under Medicare payment principles. **X**

   b. 447.272(b) - Aggregate payment to each group of State-operated facilities (that is, hospitals, ~~nursing facilities, and ICFs/MR~~) -- when considered separately -- will not exceed the amount that can reasonably be estimated would have been paid for under Medicare payment principles. **X**

      If there are no State-operated facilities, please indicate "not applicable:"

   c. 447.272(c) - Aggregate disproportionate share hospital (DSH) payments do not exceed the DSH payment limits at 42 CFR 447.296 through 447.299. **X**

   d. Section 1923(g) - DSH payments to individual providers will not exceed the hospital-specific DSH limits in section 1923(g) of the Act. **X**

**B.** **State Assurances**. The State makes the following additional assurances:

**1.** For hospitals --

a. 447.253(c) - In determining payment when there has been a sale or transfer of the assets of a hospital, the State's methods and standards provide that payment rates can reasonably be expected not to increase in the aggregate solely as a result of changes of ownership, more than payments would increase under Medicare under 42 CFR 413.130, 413.134, 413.153, and 413.157 insofar as these sections affect payment for depreciation, interest on capital indebtedness, return on equity (if applicable), acquisition costs for which payments were previously made to prior owners, and the recapture of depreciation. **X**

**2.** For nursing facilities and ICFs/MR --

a. 447.253(d)(1) - When there has been a sale or transfer of the assets of a NF or ICF/MR on or after July 18, 1984 but before October 1, 1985, the State's methods and standards provide that payment rates can reasonably be expected not to increase in the aggregate, solely as a result of a change in ownership, more than payments would increase under Medicare under 42 CFR 413.130, 413.134, 413.153 and 413.157 insofar as these sections affect payment for depreciation, interest on capital indebtedness, return on equity (if applicable), acquisition costs for which payments were previously made to prior owners, and the recapture of depreciation.

b. 447.253(d)(2) - When there has been a sale or transfer of the assets of a NF or ICF/MR on or after October 1, 1985, the State's methods and standards provide that the valuation of capital assets for purposes of determining payment rates will not increase (as measured from the date of acquisition by the seller to the date of the change of ownership) solely as a result of a change of ownership, by more than the lessor of:

(i) 1/2 of the percentage increase (as measured from the date of acquisition by the seller to the date of the change of ownership) in the Dodge construction index applied in the aggregate with respect to those facilities that have undergone a change of ownership during the fiscal year; or

(ii) 1/2 of the percentage increase (as measured from the date of acquisition by the seller to the date of the change of ownership) in the Consumer Price Index for All Urban Consumers (CPI-U) (United States city average) applied in the aggregate with respect to those facilities that have undergone a change of ownership during the fiscal year.

3. 447.253(e) - The State provides for an appeals or exception procedure that allows individual providers an opportunity to submit additional evidence and receive prompt administrative review, with respect to such issues as the State determines appropriate, of payment rates. **X**

4. 447.253(f) - The State requires the filing of uniform cost reports by each participating provider. **X**

5. 447.253(g) - The State provides for periodic audits of the financial and statistical records of participating providers. **X**

6. 447.253(h) - The State has complied with the public notice requirements of 42 CFR 447.205. **X**

   Notice published on: **June 30, 1998**

   If no date is shown, please explain:

7. 447.253(i) - The State pays for inpatient hospital and long-term care services using rates determined in accordance with the methods and standards specified in the approved State plan. **X**

C. Related Information

1. 447.255(a) - NOTE: If this plan amendment affects more than one type of provider (e.g., hospital, NF, and ICF/MR, or DSH payments) provide the following rate information for each provider type, or the DSH payments. You may attach supplemental pages as necessary. Provider Type: ***Hospital***

   For hospitals: Include DSH payments in the estimated average rates. You may either combine hospital and DSH payments or show DSH separately. If including DSH payments in a combined rate, please initial that DSH payments are included. ***Included***

   Estimated average proposed payment rates as a result of this amendment:
   ***$ 6,284 Per stay (or discharge)***
   Average payment rate in effect for the immediately preceding rate period:
   ***$ 6,502 Per stay (or discharge)***
   Amount of change: ***$ (218) Per stay (decrease)*** Percent of change: ***(3.4%)***

2. 447.255(b) - Provide an estimate of the short-term and, to the extent feasible, long-term effect the change in the estimated average rate will have on: *(continued next page, page 5)*

# INPATIENT HOSPITAL STATE PLAN
# UNDER TITILE XIX OF THE SOCIAL SECURITY ACT
# ATTACHMENT 4.19A

## Methods and Standards for Determining Payment Rates

Proposed Amended Pages
Effective July 1, 1999

**Wisconsin Medicaid Program**
**Inpatient Hospital State Plan**

**Method and Standards For Determining Payment Rates**
**With Amendments Effective July 1, 1999**

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TN # 97-013
Supercedes:
TN # 96-021

Approval Date JUN 0 4 1998

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TN # 97-013
Supercedes TN # 96-021

Approval Date JUN 0 4 1998

Effective Date 7/1/97

# INPATIENT HOSPITAL STATE PLAN
## Method and Standards For Determining Payment Rates
## With Amendments Effective July 1, 1997
## Proposed Under TN 97-013

### SECTION 1000
### OVERVIEW OF INPATIENT HOSPITAL REIMBURSEMENT

This section is a brief overview of how reimbursement to hospitals is determined for inpatient services that are provided by hospitals to eligible recipients of the Wisconsin Medicaid Program (WMP). The WMP uses a reimbursement system which is based on Diagnosis Related Groupings (DRGs). The DRG system covers acute care hospitals and hospital institutions for mental disease (IMDs). Excluded from the DRG system are rehabilitation hospitals, State IMDs and State veterans hospitals which are reimbursed at rates per diem. Also, reimbursement for certain specialized services are exempted from the DRG system. These include acquired immunodeficiency syndrome (AIDS), ventilator-assisted patients, unusual cases and brain injury cases. Special provisions for payment of each of these DRG exempted services are included in the plan. As of July 1, 1995, organ transplants are covered by the DRG system.

The WMP DRG reimbursement system uses the grouper that has been developed for and used by Medicare, with enhancements for certain perinatal, newborn and psychiatric cases. The grouper is a computer software system that classifies a patient's hospital stay into an established diagnosis related group (DRG) based on the diagnosis of and procedures provided the patient. The WMP applies the Medicare grouper and its enhancements to Wisconsin-specific claims data to establish a relative weight for each of over 600 DRGs based on statewide average hospital costs. These weights are intended to reflect the relative resource consumption of each inpatient stay. For example, the average hospitalization with a DRG weight of 1.5 would consume 50 percent more resources than the average hospitalization with a weight of 1.0, while a hospital stay assigned a DRG with a weight of .5 would require half the resources.

Each hospital is assigned a unique "hospital-specific DRG base rate". This hospital-specific DRG base rate includes an adjustment for differences in wage levels between rural and metropolitan areas throughout the state. This rate also includes an amount, based on the hospital's historical costs, for capital cost and for direct costs of medical education programs. For some hospitals, the rate also includes additional amounts for a serving a disproportionate share of low-income persons, for the indirect costs of a medical education program, or for the hospital being located in a rural area.

Given a hospital's specific DRG rate and the weight for the DRG into which a stay is classified by the grouper, payment to the hospital for the stay is determined in multiplying the hospital's rate by the DRG weight.

A "cost outlier" payment is made when the cost of providing a service exceeds a pre-determined "trimpoint". Each inpatient hospital claim is tested to determine whether the claim qualifies for a cost outlier payment. A length-of-stay outlier payment is available upon a hospital's request for children under six years of age in disproportionate share hospitals and for children under age one in all hospitals.

For additional information, contact:

Hospital Unit
Bureau of Health Care Financing
1 W. Wilson Street, Room 250
P. O. Box 309
Madison, Wisconsin 53701-0309.

Telephone (608) 267-9589
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